China Baofeng (International) Limited
中國寶豐（國際）有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3966)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2019 amounted to approximately RMB885.4 million, representing a decrease of approximately 3.6% from RMB918.5 million for the year ended 31 December 2018.

- Profit attributable to the owners of the Company for the year ended 31 December 2019 was approximately RMB296.9 million, representing a decrease of approximately 32.8% from RMB442.0 million for the year ended 31 December 2018.

- EBITDA of the Company (a non-HKFRS measure) for the year ended 31 December 2019 was approximately RMB488.5 million, representing an increase of approximately 5.4% from RMB463.7 million for the year ended 31 December 2018.

- Earnings per share for the year ended 31 December 2019 was RMB44.72 cents (2018: RMB72.32 cents).

- The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: nil).

The board (the "**Board**") of directors (the "**Directors**") of China Baofeng (International) Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	**2019** **RMB'000**	2018 *RMB'000* (Restated)
Revenue	*3*	**885,407**	918,514
Cost of sales		**(409,052)**	(397,865)
Gross profit		**476,355**	520,649
Other income, gains and losses		**30,683**	21,981
Selling expenses		**(22,271)**	(21,830)
Administrative and other expenses		**(64,284)**	(66,236)
Finance costs	*4*	**(87,399)**	(4,712)
Profit before taxation	*5*	**333,084**	449,852
Income tax expense	*6*	**(36,213)**	(7,888)
Profit for the year		**296,871**	441,964
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation from functional currency to presentation currency		**–**	76,727
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**1,753**	(78,301)
		1,753	(1,574)
Total comprehensive income for the year		**298,624**	440,390
Earnings per share – Basic	*8*	**44.72 cents**	72.32 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000 (Restated)
Non-current Assets			
Property, plant and equipment		**2,274,877**	283,777
Right-of-use assets		**17,482**	–
Rental deposit		**1,167**	–
Deposit for other borrowing		**20,400**	–
Deferred tax asset		**397**	1,158
Intangible asset		**333**	409
		2,314,656	285,344
Current Assets			
Inventories		**16,423**	29,511
Trade and other receivables	*10*	**348,555**	153,003
Contract assets	*11*	**1,467,556**	1,020,104
Prepaid rental expenses for photovoltaic facilities	*9*	**–**	36,324
Pledged bank deposits		**–**	1,349
Bank balances and cash		**183,767**	72,595
		2,016,301	1,312,886
Current Liabilities			
Trade and other payables	*12*	**77,572**	113,536
Lease liabilities		**5,441**	–
Provision		**13,998**	14,018
Amount due to ultimate holding company	*13*	**–**	7,040
Tax payable		**7,594**	3,318
Other borrowing	*14*	**31,927**	–
		136,532	137,912
Net Current Assets		**1,879,769**	1,174,974
Total Assets less Current Liabilities		**4,194,425**	1,460,318

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

As at 31 December 2019

	NOTES	**2019** **RMB'000**	2018 RMB'000 (Restated)
Non-current Liabilities			
Lease liabilities		**13,381**	–
Other borrowing	*14*	**1,633,581**	–
Amount due to a photovoltaic facilities provider	*15*	**908,071**	–
Deferred tax liability		**146**	204
		2,555,179	204
Net assets		**1,639,246**	1,460,114
Capital and Reserves			
Share capital	*16*	**5,515**	5,515
Reserves		**1,633,731**	1,454,599
Total Equity		**1,639,246**	1,460,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

China Baofeng (International) Limited (the "**Company**") was incorporated in the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The immediate and ultimate holding company of the Company is Fung Teng Enterprises Limited, which is wholly-owned by Mr. Dang Yanbao, the chairman and executive director of the Company. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Caymans Islands and Suites 3401, 34/F., Two Pacific Place, 88 Queensway, Admiralty, Hong Kong, respectively.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "**Group**") are photovoltaic power generation and design and supply chain of lightings and home furnishing products.

Prior to 1 January 2019, United States Dollars ("**US$**") was regarded as the functional currency of the Company and the consolidated financial statements were presented in Hong Kong Dollars ("**HK$**"). During the year, the directors of the Company consider that, as a result of continued focus on the photovoltaic power generation business in the People's Republic of China (the "**PRC**") and the significant acquisition of the 350-megawatt photovoltaic power generation equipment (the "**Equipment**") which was financed by a source of funding in the PRC, the primary economic environment, in which the Group operates, has changed. It is more appropriate to use Renminbi ("**RMB**") as the functional currency. The presentation currency also changed to RMB so as to in line with the change in functional currency.

The change in functional and presentation currency was accounted for in accordance with Hong Kong Accounting Standard ("**HKAS**") 21 "The Effects of Changes in Foreign Exchange Rates". The effects of the change in presentation currency have been accounted for retrospectively with comparative figures restated. The comparative information in these consolidated financial statements has been restated to reflect as if RMB has always been the presentation currency of the Group. The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.3% to 4.9%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018 (restated)	12,018
Less: Recognition exemption - short-term leases	(5,293)
	6,725
Lease liabilities discounted at relevant incremental borrowing rate relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	5,853
Analysed as	
Current	873
Non-current	4,980
	5,853

	Right-of-use assets
	RMB'000
The carrying amount of right-of-use assets, related to operating leases recognised upon application of HKFRS 16 as at 1 January 2019 comprises the following:	
Land and buildings	5,853

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	–	5,853	5,853
Current Liabilities			
Lease liabilities	–	873	873
Non-current liabilities			
Lease liabilities	–	4,980	4,980

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs and the revised Conceptual Framework mentioned below, the directors of Company anticipate that the application of above new and amendments to HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Revenue from photovoltaic power generation *(note)*		
– Sales of electricity	**144,699**	151,900
– Tariff adjustment *(note)*	**386,688**	397,238
Sales of lighting products	**354,020**	369,376
	885,407	918,514

Note: As stated in sales contract, revenue from photovoltaic power generation included tariff adjustment from the state grid company in the PRC based on the prevailing nationwide government policies on renewable energy for solar power plants.

For photovoltaic power generation, revenue for the year is recognised at a point in time when electricity is generated and transferred to customer.

For sales of lighting products, revenue for the year is recognised at a point in time when the control of goods has transferred, being when the goods have been transferred to the customer's specific location.

All sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Information reported to the executive directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on the revenues and profits from different types of business divisions.

The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are as follows:

(i) Photovoltaic power generation represents sales of electricity, development, construction, management and operation of a solar power plant ("**photovoltaic power generation**").

(ii) Lighting product business represents the sales of lighting products including portable lighting products, shades for the lamps, furniture set and other home accessory products ("**sales of lighting products**").

No operating segments have been aggregated in arriving at the reporting segments of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment.

For the year ended 31 December 2019

	Photovoltaic power generation *RMB'000*	**Sales of lighting products** *RMB'000*	**Total** *RMB'000*
SEGMENT REVENUE			
External sales	**531,387**	**354,020**	**885,407**
Segment profit (loss)	**353,240**	**(1,050)**	**352,190**
Unallocated income			**780**
Unallocated expenses			
– Administrative and other expenses			**(19,526)**
– Finance costs			**(360)**
Profit before taxation			**333,084**

For the year ended 31 December 2018 (restated)

	Photovoltaic power generation *RMB'000*	Sales of lighting products *RMB'000*	Total *RMB'000*
SEGMENT REVENUE			
External sales	549,138	369,376	918,514
Segment profit	464,225	6,095	470,320
Unallocated income			951
Unallocated expenses			
– Administrative and other expenses			(16,707)
– Finance costs			(4,712)
Profit before taxation			449,852

Segment profit represents the profit earned by each segment and hence is arrived at without allocation of certain income and expenses (including other income, gains and losses, administrative and other expenses and finance costs). This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

Geographical information

The Group's operations are located in Hong Kong, the PRC (excluding Hong Kong) and North America.

Information about the Group's revenue from external customers based on the location of goods physically delivered to and location of electricity transmission and information about its non-current assets based on geographical location of the assets:

	Revenue from external customers		Non-current assets (other than deferred tax asset, deposit for other borrowing and rental deposit)	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Hong Kong	**–**	–	**16,827**	3,002
PRC	**531,387**	549,138	**2,275,043**	279,531
United States of America	**347,819**	366,437	**822**	1,653
Canada	**6,201**	2,709	**–**	–
Others	**–**	230	**–**	–
Total revenue/non-current assets	**885,407**	918,514	**2,292,692**	284,186

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Customer A *(note)*	**531,387**	549,138
Customer B *(note)*	**113,160**	150,805
Customer C *(note)*	**88,626**	92,811

Note: The revenue from Customer A was derived from photovoltaic power generation and Customers B and C were derived from sales of lighting products.

4. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Interest expense in other borrowing	**73,648**	–
Imputed interest on amount due to a photovoltaic facilities provider	**13,124**	–
Interest on lease liabilities	**627**	–
Finance costs on bank borrowings and bills payable	**–**	4,712
	87,399	4,712

5. PROFIT BEFORE TAXATION

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' remuneration		
Salaries and other benefits	**53,203**	51,008
Retirement benefits schemes contributions	**1,203**	1,241
	54,406	52,249
Allowance for obsolete and slow-moving inventories	**859**	387
Amortisation of intangible asset	**85**	81
Auditor's remuneration	**1,144**	1,046
Cost of inventories recognised as expenses	**241,906**	296,908
Depreciation of property, plant and equipment	**64,724**	9,048
Depreciation of right-of-use assets	**3,212**	–
Design and sampling costs, including staff costs of RMB3,252,000 (2018: RMB3,425,000)	**5,977**	6,174
Operating lease rentals		
– rented premises	**–**	11,934
– photovoltaic facilities	**–**	76,924
and after crediting:		
Gain on disposal of property, plant and equipment	**–**	63

6. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Current taxation:		
– Hong Kong Profits Tax	**1,414**	2,839
– PRC Enterprise Income Tax ("EIT")	**21,654**	2,305
– Withholding tax in the PRC	**13,500**	1,697
– Overseas taxation	**–**	2
	36,568	6,843
(Over)underprovision in prior years:		
– Hong Kong Profits Tax	**(163)**	(25)
– Withholding tax in the PRC	**(900)**	1,827
– Overseas taxation	**–**	(413)
	(1,063)	1,389
Deferred taxation charge (credit)	**708**	(344)
Total	**36,213**	7,888

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. For the year ended 31 December 2019, Hong Kong Profits Tax of the qualifying corporation in the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other corporations in the Group which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

For the year ended 31 December 2018, the directors of the Company considered the amount involved upon implementation of the two tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2018.

A subsidiary of the Company, being an enterprise engaged in public infrastructure projects, under the PRC Tax Law and its relevant regulations, is entitled to tax holiday of 3-year full exemption followed by 3-year 50% exemption commencing from the respective year in which operating profit was derived. The subsidiary of the Company which was engaged in the public infrastructure projects has operating profit since 2016. For the year ended 31 December 2019, the subsidiary started its first year of the 3-year 50% exemption period. The EIT incurred during the year ended 31 December 2018 represents the taxation on the government grants received from local government by the PRC subsidiary of the Group in subsidising certain tax payments. The PRC subsidiary is entitled to an income tax rate of 15% as it is eligible as encouraged industries in Western China ("西部地區鼓勵類產業企業").

The withholding tax represents taxation recognised in respect of the dividend distributed from profit earned by a subsidiary in the PRC under the Implementation Regulation of the EIT Law of the PRC that requires withholding tax with tax rate of 5% upon the distribution of such profits to the shareholders.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

7. DIVIDEND

	2019	2018
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Interim – 20 HK cents (equivalent to RMB18 cents) per share	**119,492**	–

The Board does not recommend any final dividend for the year ended 31 December 2019 (2018: nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB296,871,000 (2018: RMB441,964,000) and the weighted average number of 663,846,000 ordinary shares (2018: 611,161,000 ordinary shares) of the Company.

No diluted earnings per share is presented as there were no potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

9. PREPAID RENTAL EXPENSES FOR PHOTOVOLTAIC FACILITIES

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Amounts of prepaid rental expenses for photovoltaic facilities analysed as:		
Current	**–**	36,324

The Group entered into lease agreements for photovoltaic facilities with an independent photovoltaic facilities provider for a rental period from 18 May 2016 to 17 May 2017, with the annual rental payment amounting to RMB90,000,000. The Group has renewed the lease agreement for photovoltaic facilities for a rental period from 18 May 2017 to 17 May 2019 with total rental payment amounting to RMB180,000,000. The full amount was paid in advance.

During the current year, the lease agreements were completed upon the completion of acquisition of the Equipment from the photovoltaic facilities provider.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**119,486**	131,841
Less: Allowance for expected credit losses	**(741)**	(724)
	118,745	131,117
Bills receivables *(note a)*	**697**	10,700
Other receivables and prepayment *(note b)*	**229,113**	11,186
	348,555	153,003

Notes:

(a) All bills received by the Group are within a maturity period of less than one year.

(b) Other receivables and prepayment mainly consist of payments in advance to suppliers and value added tax ("**VAT**") receivable.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB147,915,000.

The Group normally allows credit period with a range from 30 to 90 days to its customers. A longer credit period may be granted to large or long established customers with good payment history. The following was an aged analysis of trade receivables net of allowance for expected credit losses presented based on the invoice date for sales of goods and electricity transmitted dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
0 to 30 days	**52,326**	46,667
31 to 60 days	**30,468**	28,462
61 to 90 days	**20,551**	19,895
Over 90 days	**15,400**	36,093
	118,745	131,117

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines credit rating and limit for each customer. In addition, the Group has reviewed the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB17,094,000 (2018: RMB20,937,000) which are past due as at the reporting date. Out of the past due balances, RMB3,042,000 (2018: RMB1,564,000) has been past due 90 days or more and the directors of the Company considered there has no default occurred as these trade receivables are still considered fully recoverable due to long term/on-going relationship and good repayment record from these customers.

11. CONTRACT ASSETS

As at 31 December 2019, the contract assets represented the tariff adjustment receivables amounting to RMB1,467,556,000 (2018: RMB1,020,104,000). The amount would be received based on the prevailing national government policies on renewable energy. The contract assets are transferred to trade receivables when the Group's respective operating solar farm is registered in a list of solar power plants that are eligible for the tariff adjustment subsidy (the "Renewable Energy Project List") pursuant to prevailing national government policies on renewable energy for solar farms.

The Group's contract assets for the photovoltaic power generation are receivables from the state grid company. The collection of the tariff adjustment receivables is subject to settlement by the state grid company upon registration of the solar power plant in the Renewable Energy Project List by the Group. As the collection of tariff adjustment receivables is expected in the normal operating cycle, which may be more than 1 year, the receivables are classified as current assets.

In the opinion of the directors of the Company, the revenue recognition of tariff adjustment is proper based on their judgement and taking into account the opinion from the Group's PRC legal advisor, that the Group's operating solar power plant has qualified for registration, and has met all the relevant requirements and conditions for the registration in the Renewable Energy Project List. The directors of the Company are confident that the Group's operating solar power plant is able to be registered in the Renewable Energy Project List in due course and the tariff adjustment receivables are fully recoverable upon the allocation of funds from the PRC government. The management of the Group considered that the settlement of tariff adjustment receivables are expected to be further delayed to March 2021.

The Group is obliged to pay the Consideration Tariff Adjustment Receivables amounting of RMB636,133,000 and the assignment of tariff adjustment receivables amounting of RMB300,000,000 to the photovoltaic facilities provider within ten business days of each receipt from the state grid company, until the entire amount is paid off. In the event that the Group fails to receive the corresponding amount of tariff adjustment receivables due to the PRC policy or other reasons beyond the control of the Group, the Group will not be obliged to pay such amount to the photovoltaic facilities provider and the photovoltaic facilities provider shall have no right to claim any damages against the Group. Since the Group has no legally enforceable right to set off the third payment of the consideration and the Consideration Tariff Adjustment Receivables, the Consideration Tariff Adjustment Receivables continued to be included in contract assets. For the assignment of tariff adjustment receivables, please refer to note 15 for details.

12. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**48,878**	59,190
Bills payable for purchase of property, plant and equipment	**–**	1,349
Accrued sales commission	**588**	617
Construction payables	**13,793**	34,492
Other payables and accruals	**14,313**	17,888
	77,572	113,536

The credit period granted by suppliers to the Group ranged from 30 to 60 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
0 to 30 days	**46,539**	38,800
31 to 60 days	**431**	17,250
61 to 90 days	**230**	1,207
Over 90 days	**1,678**	1,933
	48,878	59,190

13. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount was non-trade nature, unsecured, interest-free and repayable on demand.

14. OTHER BORROWING

	2019	2018
	RMB'000	*RMB'000*
Carrying amount repayable as follows		
(based on the scheduled repayment dates)		
– within one year	**31,927**	–
– between one to two years	**191,449**	–
– between two to five years	**460,023**	–
– between five to ten years	**799,917**	–
– after ten years	**182,192**	–
	1,665,508	–
Analysed as		
Current	**31,927**	–
Non-current	**1,633,581**	–
	1,665,508	–

The amount represented the first payment and second payment of the consideration amounted to RMB1,700,000,000 and accrued finance charges. During the current year, the Group's other borrowing carries interest at 1.22 times of benchmark interest rate of over five-year borrowing formulated by the People's Bank of China per annum. As at 31 December 2019, the other borrowing is secured by the Group's solar power plant, trade receivables from photovoltaic power generation and tariff adjustment receivables with carrying amount of RMB2,269,570,000, RMB8,804,000 and RMB564,432,000, respectively. The Group has pledged the issued share capital of 寧夏寶豐光伏發電有限公司, an indirect wholly-owned subsidiary of the Company in favour of Huaxia Financial Lease Co., Ltd. (the "**Huaxia Financial**") as a security for the other borrowing. In addition, the Group has paid a deposit amounting to RMB20,400,000 to Huaxia Financial, for the pledge of the borrowing and it could be used to offset the instalment repayments, subject to certain conditions.

15. AMOUNT DUE TO A PHOTOVOLTAIC FACILITIES PROVIDER

The amount represented the third payment of the consideration amounted to RMB636,133,000 payable to the photovoltaic facilities provider and an assignment of tariff adjustment receivables amounting to RMB300,000,000 by the Group to the photovoltaic facilities provider. Pursuant to the sale and purchase agreement dated 23 March 2019 entered into between the Group and the photovoltaic facilities provider, the Group has assigned tariff adjustment receivables amounting to RMB300,000,000 to the photovoltaic facilities provider upon the receipt of the first and second payments from Huaxia Financial. The Group is obliged to pay the corresponding amount of tariff adjustment receivables received to the photovoltaic facilities provider within ten business days of each receipt from the state grid company, until the entire amount is paid off. In the event that the Group fails to receive the corresponding amount of tariff adjustment receivables due to the PRC policy or other reasons beyond the control of the Group, the Group will not be obliged to pay such amount to the photovoltaic facilities provider and the photovoltaic facilities provider shall have no right to claim any damages against the Group.

During the year, the fair value of the amount due to a photovoltaic facilities provider of RMB862,949,000, excluding VAT of RMB73,184,000, at initial recognition, amounting to approximately RMB844,138,000, was determined based on the present value of the estimated future cash flows discounted at 2.68% per annum.

16. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2018, 31 December 2018 and 31 December 2019	800,000,000	8,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2018	567,696,000	5,677
Issue of ordinary shares *(note)*	96,150,000	961
At 31 December 2018 and 31 December 2019	663,846,000	6,638

Note: During the year ended 31 December 2018, 96,150,000 ordinary shares with par value of HK$0.01 per share of the Company had been placed to its ultimate holding company, Fung Teng Enterprises Limited, at the price of HK$2.6 per share. The shares issued rank pari passu in all respects among themselves and with the existing issued shares.

	At 31 December 2019 ***RMB'000***	At 31 December 2018 *RMB'000* (Restated)
Shown in the financial statements as	**5,515**	5,515

17. PLEDGE OF ASSETS

The Group's land and buildings with carrying value of RMB554,000 (31 December 2018: RMB609,000) were pledged to a bank to secure banking facilities granted to the Group. As at 31 December 2018, RMB1,349,000 were pledged to a bank for issue of bills payable.

As at 31 December 2019, the other borrowing is secured by the Group's solar power plant, trade receivables from photovoltaic power generation and tariff adjustment receivables with carrying amount of RMB2,269,570,000, RMB8,804,000 and RMB564,432,000, respectively. The Group has pledged the issued share capital of 寧夏寶豐光伏發電有限公司, an indirect wholly-owned subsidiary of the Company in favour of Huaxia Financial as a security for the other borrowing.

18. EVENT AFTER THE REPORTING PERIOD

The outbreak of the Coronavirus Disease 2019 ("**COVID-19**") in early 2020 and the subsequent quarantine measures and travel restrictions imposed worldwide may have impact on the Group's operations. For the Group's photovoltaic power generation business, the photovoltaic power generation process is not labour intensive and the daily operation of the solar power plant has not been affected. The directors of the Company was not aware of any material adverse impact on the financial performance of the Group's photovoltaic power generation business as a result of the outbreak of the COVID-19.

For the Group's sales of lighting products business, the production lines of the Group's suppliers for lighting products were suspended for a short period of time after the Chinese New Year Holidays, and had gradually resumed normal production in March 2020. Since there are uncertainties about how the pandemic will evolve as at the date of the consolidated financial statements, the directors of the Company consider that the financial effects on the Group's sales of lighting products business cannot be reasonably estimated and will continue to monitor and assess the impact of COVID-19 on the Group's sales of lighting products business. The financial impact, if any, will be reflected in the Group's future financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Photovoltaic Power Generation Industry

On 23 April 2019, the National Development and Reform Commission of the People's Republic of China (the "**NDRC**") issued the Circular on Improving the Mechanism for Feed-in-Tariff Rate of Photovoltaic Power Generation (關於完善光伏發電上網電價機制有關問題的通知) (the "**2019 Photovoltaic FiT Notice**") which was effective on 1 July 2019. It sets out the following provisions regarding the feed-in-tariff rates for utility-scale ground-mounted solar farm projects:

(1) the benchmark feed-in-tariff rates have been changed to guidance rates. The guidance rates for utility-scale ground-mounted solar farm stations, which are newly operated in resource zone I, II and III and entitled to national subsidy, are RMB0.40/kWh, RMB0.45/kWh and RMB0.55/kWh, respectively (tax included);

(2) the feed-in-tariff rates for newly-operated utility-scale ground-mounted solar farm projects are in principle determined by way of market competition and shall not exceed the guidance rates for the resource zone where the solar farm project is operated. Upon determination of the feed-in-tariff rate, the portion within the local benchmark price of coal-fire power will be settled by local subsidiaries of the State Grid Corporation of China and the remaining balance shall be settled by the National Renewable Energy Development Fund;

(3) where an utility-scale ground-mounted solar farm project is granted with the national subsidy, but has not obtained the approval for feed-in-tariff rate, its applicable feed-in-tariff rate shall either be subject to provisions of the notice issued by the NDRC, Ministry of Finance of the People's Republic of China (the "**PRC**") and the National Energy Administration (the "**NEA**") in relation to photovoltaic power generation in 2018 (關於二零一八年光伏發電有關事項的通知) (the "**2018 Notice**") (if it is connected to grid on or before 30 June 2019), or the 2019 Photovoltaic FiT Notice (if connected to grid on or after 1 July 2019); and

(4) for village-level solar power projects for poverty alleviation which have been included into the Renewable Energy Tariff Subsidy Catalogues (the "**Catalogues**"), the feed-in-tariff rates for such projects in resource zone I, II and III are unchanged and remain at RMB0.65/kWh, RMB0.75/kWh and RMB0.85/kWh, respectively.

On 20 January 2020, the Ministry of Finance of the PRC (the "**Ministry of Finance**"), the NDRC and the NEA jointly issued the Several Opinions on Promoting the Healthy Development of Non-hydro Renewable Energy Power Generation (關於促進非水可再生能源發電健康發展的若干意見) (the "**2020 Opinion**"). Pursuant to the 2020 Opinion, the PRC Government will no longer announce new additions to the existing Catalogues.

In addition, on 20 January 2020, the Ministry of Finance, the NDRC and the NEA jointly issued the Administrative Measures on the additional subsidies on Renewable Energy Electricity Prices (可再生能源電價附加資金管理辦法) (the "**2020 Administrative Measures**") which was effective on 20 January 2020. It sets out additional measures on providing the subsidies to renewable energy projects. Particularly:

(1) for the renewable energy generation projects launched before the issue of the 2020 Administrative Measures, such projects would be included in the list of subsidised projects after approval by the power grid enterprises;

(2) for the renewable energy generation projects launched after the issue of the 2020 Administrative Measures, the Ministry of Finance shall determine the amount of subsidies based on the amount of the Renewable Energy Development Fund, the technological advancement and the industry development; and

(3) the criteria under which the renewable energy generation projects would be included in the list of subsidised projects includes the following: (i) newly launched projects are required to be counted towards the total renewable energy generation subsidy for the year in which the projects are launched. Existing projects are required to meet the requirements of the NEA, and be included in the annual construction scale management according to the scale management needs; (ii) examination, approval or filing has been completed in accordance with relevant national regulations; compliance with the national renewable energy price policy, and the on-grid electricity price has been reviewed and approved by the pricing authority; (iii) the timetable for grid connection of all the units meets the subsidy requirement; (iv) relevant examination, approval, filing and grid connection requirements have been reviewed and approved by the national renewable energy information management platform.

The 2019 Photovoltaic FiT Notice does not and is expected not to affect the Group's existing Yinchuan Project (defined below), as the Yinchuan Project commenced operation prior to the publication of the 2019 Photovoltaic FiT Notice. It is expected that the Yinchuan Project would be included in the list of subsidised projects once the approval of the State Grid Corporation of China is obtained and would receive subsidy in accordance with the 2020 Opinion and the 2020 Administrative Measures.

Portable Lighting Products Industry

The competition of the global portable lighting products industry in 2019 remained fierce. The United States portable lighting products market, which is the principal market of the lighting products of the Group, has been highly saturated with numerous firms selling a diverse range of products manufactured both domestically and internationally.

In relation to the United States-PRC trade war that commenced since 2018, in December 2019, the United States and the PRC had reached an agreement on a phase one trade deal. Nonetheless, the United States will be maintaining 25 percent tariffs on approximately $250 billion of Chinese imports, along with 7.5 percent tariffs on approximately $120 billion of Chinese imports. It is expected that trading environment of the lighting products industry between the United States and the PRC will continue to be challenging.

BUSINESS REVIEW

For the year ended 31 December 2019, the business of the Group has been integrated into two segments, which are (i) investment, construction and operation of photovoltaic power generation projects (the "**Photovoltaic Power Generation Business**"); and (ii) the sales of lighting products including portable lighting products, shades for lamps and furniture sets and other home accessory products (the "**Lighting Products Business**").

For the year ended 31 December 2019, while the Group's revenue decreased by approximately 3.6% to approximately RMB885.4 million, profit attributable to the owners of the Company decreased by approximately 32.8% to approximately RMB296.9 million. The decline in profit was mainly due to an increase in depreciation expenses and finance costs after the acquisition of the Equipment (defined below) and an increase in income tax expenses as a result of increased taxation in connection with the interim dividends distributed during the year ended 31 December 2019 and the expiry of a tax holiday of 3-year full exemption that was enjoyed by a subsidiary of the Company. These negative impacts were partially offset by an increase in other income.

Photovoltaic Power Generation Business

During the year under review, the Photovoltaic Power Generation Business continued to bring profits to the Group. At the end of 2019, the photovoltaic power generation output capacity of the Yinchuan Project had been increased from 350 megawatt in 2017 to 390 megawatt.

In respect of the 350 megawatt photovoltaic power generation output capacity of the Group's photovoltaic project in Yinchuan City (the "**Yinchuan Project**"), Ningxia Hui Autonomous Region ("**Ningxia**"), the PRC, after completion of the sale and purchase agreement entered into between Ningxia Baofeng Photovoltaic Power Generation Company Limited* (寧夏寶豐光伏發電有限公司) ("**Baofeng Photovoltaic**"), a subsidiary of the Company, as purchaser and Yinchuan Binhe New Energy Investment Development Co., Ltd* (銀川濱河新能源投資

開發有限公司) (the "**Vendor**") dated 23 March 2019 ("**Sale and Purchase Agreement**") in May 2019, Baofeng Photovoltaic purchased the 350-megawatt photovoltaic power generation equipment, the ancillary facilities, the materials in stock, products and accessories of the Yinchuan Project (the "**Equipment**") at a consideration of RMB2,398,153,588 (tax inclusive), which was subsequently reduced to RMB2,336,132,375 (tax inclusive) in July 2019 due to the reduction of the VAT rate from 16% to 13% effective on 1 April 2019 pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC. The Equipment is a set of photovoltaic power generation equipment which was leased to Baofeng Photovoltaic by the Vendor since its acquisition of the Equipment and has been used by the Group in the Yinchuan Project for the photovoltaic business operations of the Group since the commencement of the Yinchuan Project in 2016.

In addition, in May 2019, the finance lease arrangement commenced between Baofeng Photovoltaic as lessee and Huaxia Financial Leasing Co., Ltd. (華夏金融租賃有限公司) as lessor (the "**Lessor**") pursuant to the finance lease agreement dated 23 March 2019 ("**Finance Lease Agreement**"), under which the Lessor paid RMB1,700,000,000 of the consideration under the Sale and Purchase Agreement to the Vendor, upon which it takes ownership of the Equipment. The Lessor then leases back the Equipment to Baofeng Photovoltaic for a principal lease amount of RMB1,700,000,000 to be paid by monthly instalments (plus interests) commencing after a grace period which will expire by 28 January 2021, with the last payment to be made by 28 January 2031. From the lease commencement date up to the end of the grace period, Baofeng Photovoltaic only has to pay interests on the principal lease amount but does not have to make repayments of the principal lease amount. The indebtedness and obligations of Baofeng Photovoltaic under the Finance Lease Agreement are guaranteed by the Company and secured by a charge over the entire equity interest in Baofeng Photovoltaic, by a charge over all receivables arising from the income of the Yinchuan Project from time to time (other than the amount of tariff adjustment receivables already assigned by Baofeng Photovoltaic), and by a charge over all power generation equipment and ancillary facilities used in the Yinchuan Project, in favour of the Lessor.

As an ancillary arrangement to the acquisition under the Sale and Purchase Agreement, in May 2019, the Vendor has paid an amount of RMB300,000,000 to Baofeng Photovoltaic in cash, and in return Baofeng Photovoltaic has assigned the tariff adjustment receivables in the amount of RMB300,000,000 to the Vendor effective on the date Baofeng Photovoltaic received the aforesaid cash payment pursuant to the an assignment agreement dated 23 March 2019 entered into between Baofeng Photovoltaic and the Vendor (the "**Assignment Agreement**"). For details of the Sale and Purchase Agreement, the Finance Lease Agreement and the Assignment Agreement, please refer to the announcements of the Company dated 25 March 2019 and 30 July 2019, respectively.

As at 31 December 2019, the fair value of the Equipment amounted to approximately RMB1,997,248,000 and was approximately 46.1% of the total assets of the Group.

The Directors consider that it is beneficial for the Group to purchase the Equipment pursuant to the Sale and Purchase Agreement and the Finance Lease Agreement and the ancillary security documents for, among others, the following reasons and on the following bases:

(a) the lease agreement between the Vendor and Baofeng Photovoltaic (the "**Existing Lease**") was due to expire in May 2019. Under the Group's operation arrangement of leasing the Equipment for its Photovoltaic Power Generation Business, such business is subject to the commercial risks and uncertainties that the Existing Lease may not be renewed upon expiry or that the rental may be increased upon renewal of the Existing Lease. If the Group becomes the owner of the Equipment, such commercial risks and uncertainties in relation to the rental of the Equipment can be eliminated;

(b) in the event that the Existing Lease could not be renewed, the operation and profitability of the Yinchuan Project will be severely hindered without the Equipment, and will result in written-down value of the infrastructure in relation to the Yinchuan Project owned by the Group. Since the Photovoltaic Power Generation Business has become the main driver of growth of the Group and the Equipment is of primary significance to such business, in order to maintain the Group's profitability, it is important for the Group to ensure sustainable and stable operation of the Yinchuan Project in the long run by securing the continued full operation of the Equipment.

(c) although there will be finance costs during the Lease Term, the Group will at the same time no longer have to bear rental expenditure on the Equipment as well as the risks associated with the renewal of the Existing Lease as mentioned above. Considering that the Equipment has a useful life of 25 years, after deducting the three years of use by the Group itself since leasing in May 2016 and following the completion of the Lease Term, the Group expects to further enjoy about 10 years of useful life of the Equipment without any further payment of finance payments or rent, which will be conducive to profitability of the Group in the long run.

As confirmed by the State Grid Corporation of China, for the year ended 31 December 2019, the Group has generated an aggregate of 720.5 million kWh power and the Photovoltaic Power Generation Business continued to be the main source of the revenue of the Group, accounting for approximately 60.0% (31 December 2018: 59.8%) of the Group's total revenue for the year ended 31 December 2019. The aggregated power generated for the year ended 31 December 2019 dropped by approximately 5.7% to 720.5 million kWh (31 December 2018: 763.8 million kWh) due to a decrease in number of sunny days. Nevertheless, such impact was offset by an increase in average unit selling price (tax exclusive) as a result of a reduction of VAT rate. In addition, the Photovoltaic Power Generation Business was the sole contributor to the profit of the Group, contributing to approximately 100.3% of the Group's total segment profit for the year ended 31 December 2019 (31 December 2018: 98.7%).

The Group's revenue from the Photovoltaic Power Generation Business for the year ended 31 December 2019 was approximately RMB531.4 million, which represents a decrease of approximately 3.2% from the revenue generated for the corresponding year in 2018 (31 December 2018: RMB549.1 million). The segment profit margin of the Photovoltaic Power Generation Business was approximately 66.5% for the year ended 31 December 2019 (31 December 2018: 84.5%), and the segment profit decreased by approximately 23.9% to approximately RMB353.2 million (31 December 2018: RMB464.2 million) which was mainly due to an increase in depreciation expenses and finance costs after acquisition of the Equipment.

Lighting Products Business

The Group's revenue from the Lighting Products Business for the year ended 31 December 2019 was approximately RMB354.0 million (31 December 2018: RMB369.4 million), contributing to approximately 40.0% (31 December 2018: 40.2%) of the Group's total revenue, and representing a decrease of 4.2% from the revenue generated in the corresponding year in 2018. Excluding the effect of RMB depreciation against HK$ during the year ended 31 December 2019, the revenue decreased by 9.6% compared to the corresponding year in 2018. The segment profit margin of Lighting Products Business turned negative to approximately -0.3% for the year ended 31 December 2019 (31 December 2018: +1.6%) and there was a segment loss of approximately RMB1.0 million (31 December 2018: a segment profit of approximately RMB6.1 million). The segment loss was due to the additional tariff imposed by the United States and continuous keen competition in the principal market of the lighting products of the Group.

OUTLOOK AND PROSPECTS

In 2020, the Board believes that the Photovoltaic Power Generation Business will continue to be the Group's main profit contributor. Nonetheless, given that less favourable policies issued by the government of the PRC in relation to the photovoltaic power generation industry, the Group will continue to implement costs control measures in the Photovoltaic Power Generation Business in order to maintain reasonable returns to the shareholders of the Company (the "**Shareholders**"). The Board may conduct a strategic review on the operations of the Group, identify and evaluate business opportunities in the other sectors with positive outlook such as elderly care industry and healthcare industry in order to diversify the income stream of the Group for the benefit of the Shareholders as a whole.

Photovoltaic Power Generation Business

Further to the issue of the 2020 Opinion and the 2020 Administrative Measures, the Board expects the Yinchuan Project to be included in the list of subsidized projects. It is expected that the Group will receive settlements of tariff adjustment receivables from the PRC Government (in which part of them will be paid to the Lessor under the Finance Lease Agreement).

Lighting Products Business

In 2020, it is expected that the Lighting Products Business may continue to be adversely affected by the additional tariffs imposed by the United States due to uncertainty arising from the United States – PRC trade war and intensified competition in its principal markets. In case the market competition continues to intensify, the Group would deploy its resources efficiently and shift the focus on other segments of the Group so that the Group will generate long term return to the Shareholders.

FINANCIAL REVIEW

Change of functional currency

Prior to 1 January 2019, United States Dollars ("**US$**") was regarded as the functional currency of the Company and the consolidated financial statements were presented in Hong Kong Dollars ("**HK$**"). For the year ended 31 December 2019, the Board consider that as a result of continued focus on the Photovoltaic Power Generation Business in the PRC and the significant amount of acquisition of the Equipment which was financed by a source of funding in the PRC, the primary economic environment in which the Company operates has changed and it is more appropriate to use Renminbi ("**RMB**") as the functional currency. The presentation currency of the financial information is also changed to RMB in line with the change in functional currency.

The change in functional and presentation currencies was accounted for in accordance with Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" ("**HKAS 21**"). The effects of the change in presentation currency have been accounted for retrospectively with comparative figures restated. The comparative information in the consolidated financial statements set out in this announcement has been restated to reflect as if RMB has always been the presentation currency of the Group. The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21.

Segment Information

The Group reported its financial information by two segments: (i) Photovoltaic Power Generation Business; and (ii) Lighting Products Business. The table below is an analysis of the Group's revenue, segment profit and segment profit margin of its operation by segment for the year ended 31 December 2018 and 2019:

	For the year ended 31 December							
	2019				2018			
	Revenue *RMB'000*	**% of revenue**	**Segment profit (loss)** *RMB'000*	**Segment profit margin** *(%)*	Revenue *RMB'000*	% of revenue	Segment profit *RMB'000*	Segment profit margin *(%)*
Photovoltaic Power Generation Business	**531,387**	**60.0**	**353,240**	**66.5**	549,138	59.8	464,225	84.5
Lighting Products Business	**354,020**	**40.0**	**(1,050)**	**(0.3)**	369,376	40.2	6,095	1.6
Total	**885,407**	**100.0**	**352,190**	**39.8**	918,514	100.0	470,320	51.2

Revenue

During the year ended 31 December 2019, revenue of the Group was derived from the Photovoltaic Power Generation Business and Lighting Products Business amounting to approximately RMB885.4 million, representing a decrease of approximately 3.6% from approximately RMB918.5 million for the year ended 31 December 2018.

Revenue derived from the Photovoltaic Power Generation Business amounted to RMB531.4 million, representing a decrease of approximately 3.2% from approximately RMB549.1 million for the year ended 31 December 2018. The Photovoltaic Power Generation Business continued to be the major contributor to the Group's total revenue. During the year ended 31 December 2019, while the revenue from Photovoltaic Power Generation Business was adversely affected by the decrease in number of sunny days, the impact of which was offset by an increase in average unit selling price (tax exclusive) as a result of reduction of VAT rate. Revenue derived from the Lighting Products Business amounted to RMB354.0 million, representing a decrease of approximately 4.2% from approximately RMB369.4 million for the year ended 31 December 2018. The Lighting Products Business continued to be impacted by the additional tariff imposed by the United States and the fierce competition in the market. As a result, excluding the effect of RMB depreciation against HK$, the revenue from the Lighting Products Business decreased by 9.6% compared to the corresponding year in 2018.

Gross profit and gross profit margin

During the year ended 31 December 2019, the gross profit of the Group amounted to approximately RMB476.4 million, representing a decrease of approximately 8.5% from approximately RMB520.6 million for the year ended 31 December 2018. The gross profit margin of the Group decreased from approximately 56.7% for the year ended 31 December 2018 to approximately 53.8% for the year ended 31 December 2019. The decrease in both gross profit and gross profit margin of the Group for the year was due to an increase in cost of sales of approximately 2.8% from approximately RMB397.9 million for the year ended 31 December 2018 to approximately RMB409.1 million for the year ended 31 December 2019.

Operating costs

During the year ended 31 December 2019, the total operating cost increased to approximately RMB86.6 million, representing a decrease of approximately 1.7% from approximately RMB88.1 million for the corresponding year in 2018. The decrease in operating cost was primarily due to a decrease in tax surcharges and other operating expenses.

Finance costs

The Group recorded finance costs amounting to approximately RMB87.4 million for the year ended 31 December 2019 (31 December 2018: RMB4.7 million). The increase in finance costs during the year was mainly due to the interest expenses and handling charges under the Finance Lease Agreement and imputed interests arising from the amount due to a photovoltaic facilities provider.

Profit attributable to owners of the Company

Profit attributable to owners of the Company of approximately RMB296.9 million was recorded for the year ended 31 December 2019, as compared with a profit attributable to owners of the Company of approximately RMB442.0 million for the corresponding year in 2018. The decline in profit was mainly due to an increase in depreciation expenses and finance costs after the acquisition of the Equipment and an increase in income tax expenses as a result of increased taxation in connection with the interim dividends declared on 16 August 2019 and the expiry of a tax holiday of 3-year full exemption that was enjoyed by a subsidiary of the Company. These negative impacts were partially offset by an increase in other income. Earnings per share was RMB44.72 cents for the year ended 31 December 2019, as compared with earnings per share of RMB72.32 cents for the corresponding year in 2018.

EVENT AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus ("**COVID-19**") in early 2020 and the subsequent quarantine measures and travel restrictions imposed worldwide may have impact on the Group's operations. For the Photovoltaic Power Generation Business, the photovoltaic power generation process is not labour intensive and the daily operation of the solar power plant has not been affected. As at the date of this announcement, the Board is not aware of any material adverse impact on the financial performance of the Photovoltaic Power Generation Business as a result of the outbreak of the COVID-19.

For the Lighting Products Business, the production lines of the suppliers of the Group for lighting products were suspended for a short period of time after the Chinese new year holidays, and had gradually resumed normal production in March 2020. Since there are uncertainties about how the pandemic will evolve as at the date of this announcement, the Board considers that the financial effects on the Lighting Products Business cannot be reasonably estimated and will continue to monitor and assess the impact of COVID-19 on the Lighting Products Business. The financial impact, if any, will be reflected in the future financial statements of the Group.

NON-HKFRS MEASURES

Earnings before interest and taxes, depreciation and amortisation

To supplement the audited consolidated financial information of the Group prepared in accordance with HKFRS, one non-HKFRS measure, namely the earnings before interest and taxes, depreciation and amortisation ("**EBITDA**"), as additional financial measure, has been presented in this annual results announcement. The EBITDA is calculated by adding (i) depreciation of property, plant and equipment; (ii) depreciation for right-of-use assets; (iii) amortisation of intangible asset; and (iv) finance costs to the profit before tax. This unaudited non-HKFRS financial measure should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with HKFRS. In addition, this non-financial measure may be defined differently from similar terms used by other companies. The Board believes that the presentation of non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures provides useful information to Shareholders and the Board regarding financial and business trends relating to its financial condition and results of operations. The Board also believes that the non-HKFRS measures are appropriate for evaluating the Group's operating performance.

The following table sets forth the reconciliation of the Group's non-HKFRS financial measures for year ended 31 December 2019 and the corresponding year in 2018 to the nearest measures prepared in accordance with HKFRS:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Reconciliation of profit before taxation to EBITDA:		
Profit before tax	**333,084**	449,852
Add:		
Depreciation of property, plant and equipment	**64,724**	9,048
Depreciation for right-of-use assets	**3,212**	–
Amortisation of intangible asset	**85**	81
Finance costs	**87,399**	4,712
EBITDA	**488,504**	463,693

For the year ended 31 December 2019, EBITDA of the Company was approximately RMB488.5 million, representing an increase of approximately 5.4% from approximately RMB463.7 million for the year ended 31 December 2018. The increase of the EBITDA was mainly due to a decrease in leasing expenses under Existing Lease and other operating expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, cash and cash equivalents of the Group were approximately RMB183.8 million, representing an increase of 153.1% from approximately RMB72.6 million as at 31 December 2018. This was mainly due to the net effect of cash of RMB300,000,000 received from the Vendor under the Assignment Agreement, payment of interim dividend and payments of interests and handling charges under the Finance Lease Agreement during the year.

For the year ended 31 December 2019, the Group's primary source of funding included cash generated from its operating activities and interest bearing borrowing.

As at 31 December 2019, the Group had a total interest bearing borrowing of RMB1,665.5 million which represents the finance lease obligation under the Finance Lease Agreement, for a principal lease amount of RMB1,700,000,000 to be paid by monthly instalments (plus interests) commencing after a grace period which will expire by 28 January 2021, with the last payment to be made by 28 January 2031. As at 31 December 2018, the Group had no borrowing. The Group's current ratio (current asset divided by current liabilities) was 14.8 times as at 31 December 2019, increased from 9.5 times as at 31 December 2018 which was mainly due to the increase in trade and other receivables, contract assets and cash received under the Assignment Agreement.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil). During the year ended 31 December 2019, an interim dividend of 20 HK cents (equivalent to RMB18 cents) per share amounting to approximately RMB119.5 million was paid to the Shareholders.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of (i) net debt, which includes the interest bearing borrowing and net cash and cash equivalents and pledged deposits, and (ii) equity attributable to owners of the Group, comprising issued capital and reserves. As at 31 December 2019, net gearing ratio was 90.4% (31 December 2018: net cash in excess of debts). This ratio is based on interest bearing borrowing and bills payable less cash and cash equivalents and pledged bank deposit divided by total equity.

As at 31 December 2019 and 31 December 2018, the Group has no bank borrowings. As at 31 December 2018, bills payable amounting to RMB1.3 million were secured by bank deposits of RMB1.3 million. There was no bill payable and pledged bank deposit as at 31 December 2019.

As at 31 December 2019, the other interest bearing borrowing which represents the finance lease obligation under the Finance Lease Agreement amounted to RMB1,665.5 million (31 December 2018: nil), which carried interests at 5.978% (31 December 2018: nil). It was guaranteed by the Company and secured by a charge over the entire equity interest in Baofeng Photovoltaic, by a charge over all receivables arising from the income of the Yinchuan Project from time to time (other than the amount of tariff adjustment receivables already assigned by Baofeng Photovoltaic), and by a charge over all power generation equipment and ancillary facilities used in the Yinchuan Project, in favour of the Lessor (31 December 2018: nil).

As at 31 December 2019, the Group's cash and cash equivalents were mainly held in Renminbi, US dollars and HK dollars.

The Directors shall review the capital structure regularly, taking into account the cost of capital and the associated risks. Based on recommendations of the Board, the Group will maintain an appropriate capital structure accordingly.

EMOLUMENT POLICY

The Directors' fees are determined by the Board as authorised by the Shareholders in the annual general meeting. The Board shall consider the recommendation of the remuneration committee of the Company ("**Remuneration Committee**") with reference to the Directors' duties, responsibilities and performance and the results of the Group. Each executive Director may also receive a year-end bonus in respect of each financial year. The amount of such bonus will be determined by the Board with reference to the recommendation of the Remuneration Committee.

As at 31 December 2019, the Group has a total of nine (31 December 2018: nine) Directors and employed 192 (31 December 2018: 214) employees. Total staff costs, including Directors' emoluments, amounted to approximately RMB54.4 million for the year ended 31 December 2019 (31 December 2018: RMB52.2 million). The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The Group also provided discretionary bonus, medical insurance and provident fund to employees. The Company adopted a share option scheme (the "**Share Option Scheme**") on 21 June 2012, under which the Company can grant options to, among others, employees of the Group to subscribe for Shares for rewarding them for their contributions to the Group and providing incentives to them to optimise their future contributions to the Group. Up to the 31 December 2019, no share option has been granted under the Share Option Scheme.

CONTINGENT LIABILITIES

As at 31 December 2019 and 31 December 2018, the Group did not have any contingent liability.

SIGNIFICANT INVESTMENTS

Save as disclosed in the section headed "Business Review – Photovoltaic Power Generation Business", the Group did not have any other significant investments as at 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2019. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as and when appropriate.

MATERIAL ACQUISITIONS OR DISPOSALS

During the year ended 31 December 2019, there was no material acquisition or disposal of subsidiaries, associated companies and joint ventures by the Group.

CHARGES ON ASSETS

As at 31 December 2019, no bank deposits (31 December 2018: RMB1.3 million) were pledged to a bank for issue of bills payable. The Group's land and buildings with carrying value of RMB0.6 million (31 December 2018: RMB0.6 million) were pledged to a bank to secure banking facilities granted to the Group. In addition, charges were created over (i) the entire equity interest in Baofeng Photovoltaic; (ii) all receivables arising from the income of the Yinchuan Project from time to time (other than the amount of tariff adjustment receivables already assigned by Baofeng Photovoltaic); and (iii) all power generation equipment and ancillary facilities used in the Yinchuan Project, in favour of the Lessor for the obligations of Baofeng Photovoltaic under the Finance Lease Agreement.

FOREIGN EXCHANGE EXPOSURE

During the year under review, a significant part of the revenue of the Group was denominated in Renminbi while the Group has transactions invoiced in US dollars and bank balances and cash denominated in HK dollars, and accordingly the Group was exposed to foreign exchange risk. Save as disclosed herein, the amounts of other foreign currencies involved in the Group's operation for the year ended 31 December 2019 were insignificant. The Group did not have a foreign currency hedging policy and did not employ any financial instrument for hedging purpose during the year ended 31 December 2019. However, the management monitored foreign exchange exposure closely to keep the net exposure to an acceptable level.

CAPITAL COMMITMENT

As at 31 December 2019, the Group's capital commitment amounted to approximately RMB2.7 million (31 December 2018: RMB13.3 million) in respect of property, plant and equipment contracted but not provided for.

CORPORATE GOVERNANCE REPORT

The Company endeavors to maintain a high standard of corporate governance for the enhancement of its Shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "**Corporate Governance Code**") during the year ended 31 December 2019, except for the following:

Under code provision A.6.7 of the Corporate Governance Code, independent non-executive Directors and other non-executive Directors should attend general meetings to gain and develop a balanced understanding of the views of Shareholders. For the year ended 31 December 2019, Mr. Dang Yanbao, the chairman of the Board and Mr. Xia Zuoquan did not attend the extraordinary general meeting of the Company held on 30 April 2019 due to other business engagements.

Under code provision C.2.5 of the Corporate Governance Code, an issuer should have an internal audit function. For the year ended 31 December 2019, the Company engaged an external accounting firm in the PRC to carry out internal audit to a subsidiary of the Company involving in the Photovoltaic Power Generation Business, nonetheless, the Company did not have an internal audit function for the entire Group for the year ended 31 December 2019. Taking into account the size and complexity of the operations of the Group, the Company considers that the existing organisation structure and close supervision by the management can maintain sufficient risk management and internal control of the Group. However, the Board will review the need to set up an internal audit function from time to time and may set up an internal audit team if the need arises.

Save as disclosed above, the Board considers that the Company had complied with the code provisions set out in the Corporate Governance Code of the Listing Rules during the year ended 31 December 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

During the year ended 31 December 2019, the Group adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon specific enquiry, each Director confirms that during his tenure in the year ended 31 December 2019, he had fully complied with the required code of conduct and there was no event of non-compliance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 21 June 2012 with written terms of reference which have been updated from time to time to align with the code provisions set out in the Corporate Governance Code and the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of the Group. During the year ended 31 December 2019 the Audit Committee comprised of three independent non-executive Directors, namely Dr. Tyen Kan Hee, Anthony (chairman of the Audit Committee), Mr. Xia Zuoquan and Mr. Guo Xuewen. The consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 have been reviewed by the Audit Committee.

SCOPE OF WORKS OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2019 ANNUAL GENERAL MEETING

The annual general meeting of the Company ("**AGM**") is to be held on 29 May 2020. For the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM, the details of the closure of register of member of the Company and the latest time to lodge transfer documents with the Company's share registrar is set forth as follows:

Book close dates for the 2019 AGM (both days inclusive)	Tuesday, 26 May 2020 to Friday, 29 May 2020
Latest time to lodge transfer documents with the Company's share registrar	Monday, 25 May 2020, 4:00 p.m.
Name and address of the Company's share registrar	Union Registrars Limited Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement of the annual results for the year ended 31 December 2019 is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.baofengintl.com. The annual report for the year ended 31 December 2019 of the Company containing all the information required by the Listing Rules will be despatched to Shareholders and published on the aforesaid websites in due course.

By Order of the Board
China Baofeng (International) Limited
Dang Yanbao
Chairman and Executive Director

Hong Kong, 27 March 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Dang Yanbao, Mr. Dang Zidong, Mr. Liu Yuanguan, Mr. Gao Jianjun, the non-executive Directors of the Company are Mr. Cheng Hoo and Mr. Chung Kin Shun, Jimmy and the independent non-executive Directors of the Company are Mr. Xia Zuoquan, Dr. Tyen Kan Hee, Anthony and Mr. Guo Xuewen.

* *For identification purpose only*